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TO AMEMBASSY NEW DELHI PRIORITY

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AMEMBASSY STOCKHOLM PRIORITY

AMEMBASSY BERN PRIORITY

AMEMBASSY VALLETTA PRIORITY

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E.O. 11652:N/A

TAGS: EAID, EAGR

SUBJECT: FURTHER EXTENSION BY PROTOCOL OF INTERNATIONAL
WHEAT AGREEMENT (IWA)

1. SPECIAL MEETINGS OF INTERNATIONAL WHEAT COUNCIL AND
FOOD AID COMMITTEE WILL BE HELD IN LONDON, FEBRUARY 18-20
TO DECIDE ON FURTHER EXTENSION INTERNATIONAL WHEAT
AGREEMENT (IWA) BEYOND EXPIRATION DATE OF JUNE 30, 1976.
CURRENT IWA CAME INTO FORCE IN 1971 FOR 3 YEARS. IT HAS
NOW BEEN EXTENDED TWICE, EACH TIME FOR ONE YEAR.

2. IWA CONSISTS OF TWO CONVENTIONS, WHEAT TRADE CONVENTION
(WTC) AND FOOD AID CONVENTION (FAC). WTC APPLIES TO
COMMERCIAL TRADE IN WHEAT. IN MARCH 1975 A PREPARATORY
GROUP WAS FORMED TO CONSIDER POSSIBLE BASES FOR A NEW
WTC. THE GROUP'S WORK HAS MAINLY CONCERNED POSSIBLE
RESERVES ARRANGEMENT TO BE INCLUDED IN A NEW AGREEMENT,
BUT CONSIDERATION HAS ALSO BEEN GIVEN TO PRICE PROVI-
SIONS AND RELATED RIGHTS AND OBLIGATIONS, AS WELL AS
CONTINUING THE CONSULTATIVE AND INFORMATION FUNCTIONS
PERFORMED BY THE WHEAT COUNCIL UNDER THE CURRENT WTC, AS
EXTENDED. PREP GROUP HAS MET FOUR TIMES (MOST RECENTLY
JAN 19-21), AND IT IS NOT LIKELY THAT A DECISION TO
NEGOTIATE A NEW WTC WILL BE MADE BEFORE THE JUNE 30
EXPIRATION DATE. MOREOVER, IT IS PROBABLE THAT THE PROCESS
OF NEGOTIATION, RATIFICATION AND ENTRANCE INTO FORCE OF
A NEW AGREEMENT WILL REQUIRE MORE THAN ONE YEAR.

3. THE FAC EMBODIES ANNUAL FOOD AID OBLIGATIONS IN WHEAT
OR COARSE GRAINS. MEMBER COUNTRIES (WHICH ALSO MUST BE-
LONG TO WTC) AND THEIR OBLIGATIONS ARE: US-1,890,000 MT;
EC-1,287,000; CANADA-495,000 MT; AUSTRALIA -225,000 MT;
JAPAN-225,000 MT; SWEDEN-35,000 MT; SWITZERLAND -32,000
MT; ARGENTINA - 23,000 MT; FINLAND -14,000 MT. GIVEN
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RELATION BETWEEN COMMERCIAL AND CONCESSIONAL TRADE IN GRAINS
WE AND SOME OTHER MEMBERS BOTH CONVENTIONS HAVE MAINTAINED
THEY SHOULD BE EXTENDED IN TANDEM. AT SAME TIME WE AND
OTHER FAC MEMBERS HAVE CONDITIONED CONTINUED PARTICIPATION
ON AGREEMENT OF ALL OTHER MAJOR DONORS AT CURRENT OBLIGA-
TION LEVELS. THIS PROVISIO DIRECTED PARTICULARLY AT EC
WHICH HAS HAD CHRONIC DIFFICULTY IN REACHING INTERNAL
DECISION ON FAC EXTENSION.

4. THE US POSITION FOR BOTH OF THE IWA EXTENSIONS TO DATE HAS BEEN THAT WE PREFERRED 2 YEARS BUT WOULD AGREE TO 1 YEAR IF THAT WAS THE MAXIMUM TO WHICH OTHER IMPORTANT MEMBERS COULD COMMIT THEMSELVES. IN BOTH CASES THE 1 YEAR OUTCOME WAS PRIMARILY THE RESULT OF EC UNCERTAINTIES REGARDING THE FAC. THIS YEAR WE HAVE HOPES THAT THE EC, EVEN IF IT HAS NOT REACHED A FORMAL INTERNAL DECISION BY THE FEB. 18-20 MEETINGS, WILL BE ABLE TO GO ALONG WITH A 2 YEAR EXTENSION. HOWEVER, STATEMENTS BY LDC REPS (INDIA, PAKISTAN, EGYPT AND MALTA) AT THE LAST WHEAT COUNCIL MEETING IN DECEMBER SUGGEST THAT OPPOSITION TO AN EXTENSION OF MORE THAN 1 YEAR MAY COME FROM THAT SOURCE AND FOCUS ON THE WTC.

5. GIST OF LDC IMPORTERS' POSITION (BRAZIL WAS ONLY EXPRESSED EXCEPTION) WAS THAT NEW WTC WITH SUBSTANTIVE PROVISIONS (LDCS HAVE IN MIND PARTICULARLY PRICE PROVISIONS) ARE AN URGENT NECESSITY AND THAT PREP GROUP DISCUSSIONS SHOULD NOT BE ALLOWED TO DRAG ON INDEFINITELY. THEREFORE, IN THEIR VIEW, A MAXIMUM FURTHER EXTENSION OF 1 YEAR MIGHT SERVE AS A SPUR TO NEGOTIATION OF A NEW AGREEMENT.

6. US STRONGLY PREFERS FURTHER EXTENSION OF BOTH WTC AND FAC FOR 2 YEARS ON GROUNDS OF REALISM AS SET FORTH IN PARA 2. FROM SELF-CENTERED PERSPECTIVE, US PROCEDURES FOR RATIFICATION (INCLUDING SENATE ACTION) ARE PROBABLY MORE COMPLICATED THAN FOR MOST OTHER NATIONS AND THE US, AS DEPOSITARY FOR THE IWA, MUST DEVOTE SUBSTANTIAL LEGAL AND ADMINISTRATIVE TIME TO EACH EXTENSION. THE US BUDGET CONTRIBUTION TO THE WHEAT COUNCIL HAS BEEN HELD UP THE PAST TWO YEARS BECAUSE IO CANNOT REQUEST FUNDS UNTIL LIMITED OFFICIAL USE
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EXTENSION RATIFIED, WHICH HAS COME AFTER BUDGET PRESENTATION AND APPROVAL. WHEAT COUNCIL ALSO SUFFERS FROM REPEATED 1 YEAR EXTENSIONS BY HAVING TO DISSIPATE SUBSTANTIAL PART OF ANNUAL WORK IN PREPARATION FOR NEXT EXTENSION.

7. WE ASSUME LDCS WOULD PREFER SEE WHEAT COUNCIL DEVOTE MORE TIME TO PREPARING BASIS FOR NEW IWA. ISSUES AT STAKE ARE NOT OF NATURE THAT LENGTH OF NEXT EXTENSION IN ITSELF WILL HAVE ANY BEARING ON DATE WHEN NEGOTIATION OF NEW AGREEMENT MIGHT BEGIN. IN ANY EVENT, EXTENDING PROTOCOL FOR WTC WILL CONTINUE TO INCLUDE PROVISION THAT CURRENT AGREEMENT WILL BE SUPERSEDED AND NEW AGREEMENT COME INTO EFFECT IMMEDIATELY UPON COMPLETION OF RATIFICATION PROCEDURES FOR A SUCCESSOR AGREEMENT.

8. ACTION (CAIRO, NEW DELHI, ISLAMABAD, BRASILIA, VALLETTA) EXCEPT FOR LAST THESE ARE LARGEST LDC MEMBERS WTC ON IMPORT SIDE; WITH JAPAN AND EC THEY MAKE UP 73 OF VOTES

ON THAT SIDE. YOU ARE REQUESTED INFORM HOST GOVERNMENTS OF US POSITION ON WTC/FAC EXTENSION GIVING REASONS AS SET FORTH ABOVE AND EXPRESS STRONG HOPE THAT THEY WILL ALSO SUPPORT EXTENSION FOR 2 YEARS IF EC'S PROBLEM WITH FAC DOES NOT RECUR (FYI: BRASILIA. WHILE BRAZIL REP TO DECEMBER IWC MEETING SEEMED TO SUPPORT 2 YEAR EXTENSION, HE PROBABLY WAS UNINSTRUCTED. IN ABSENCE INSTRUCTIONS HE MAY BE UNWILLING SPEAK TO ISSUE AT FEB. MEETINGS.)

9. ACTION (EC POSTS): WHILE WE BELIEVE EC PREFERS 2 YEAR EXTENSION, IT MAY SEE LDC OPPOSITION TO MORE THAN 1 YEAR EXTENSION AS REASON NOT TO TRY TO OBTAIN INTERNAL AGREEMENT, PARTICULARLY REGARDING FAC. SUGGEST USEC CONTACT EATON OR BEVILACQUA ON THIS POINT, NOTING US EFFORT TO LINE UP MAJOR LDC IMPORTERS IN SUPPORT OF 2 YEAR EXTENSION, AND EXPRESS STRONG HOPE THAT EC'S FAC PROBLEM WILL NOT PROVE OBSTACLE. MISSION SHOULD MAKE FURTHER POINT THAT LDC PRESSURE FOR FIRM COMMITMENTS TOTALING 10 MILLION TONS OF FOOD AID ANNUALLY, RECOMMENDED BY 1974 WORLD FOOD CONFERENCE, IS LIKELY TO BE A MAIN FEATURE OF WORLD FOOD COUNCIL, AND PERHAPS OTHER DC-LDC FORUMS, LATER THIS YEAR. WE BELIEVE FAC MAY OFFER SIGNIFICANT ADVANTAGES TO PRESENT DONORS AS VENUE FOR A POSSIBLE FUTURE FOOD AID NEGOTIATION, WITHOUT NEED TO RETAIN PRESENT FAC MEMBER-LIMITED OFFICIAL USE
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SHIP. TWO YEAR EXTENSION WOULD STRENGTHEN ACCEPTABILITY OF FAC FRAMEWORK. EMBASSIES IN EC COUNTRIES SHOULD ALSO INFORM AND MAKE THESE POINTS IF IN YOUR JUDGMENT IT WOULD CONTRIBUTE TO DESIRED OBJECTIVE.

10. ACTION (OTTAWA, CANBERRA, TOKYO): JAPAN SUPPORTS 2 YEAR EXTENSION, AUSTRALIA AND CANADA HAVE NOT TAKEN FIRM POSITIONS. POSTS SHOULD INFORM US POSITIONS AND, AS NECESSARY, RATIONALE.

11. ACTION (BUENOS AIRES, STOCKHOLM, HELSINKI, BERN): THESE ARE BALANCE OF COUNTRIES THAT BELONG TO FAC. YOU SHOULD INFORM HOST GOVERNMENTS OF US POSITION AND OUR EFFORTS TO OBTAIN SUPPORT FOR 2 YEAR EXTENSION. WE DO NOT ANTICIPATE PROBLEM EXCEPT, POSSIBLY, IN CASE OF SWITZERLAND. SWISS DELEGATE KELLER AT DECEMBER MEETINGS NOTED DOMESTIC CRITICISM THAT FAC DOES NOT GIVE SUFFICIENT FREEDOM TO SUPPLY AID IN WAYS COMPATIBLE WITH SWISS AGRICULTURAL POLICY AND PRODUCTION PATTERNS. HE SAID SWITZERLAND WAS CONSIDERING AMENDMENT TO NEXT EXTENDING PROTOCOL OR SWISS RESERVATION ALONG LINES JAPANESE PRECEDENT THAT WOULD PERMIT MEETING FAC OBLIGATION IN OTHER THAN WHEAT OR COARSE GRAINS. IN FORMULATING ITS POSITION WE BELIEVE SWISS GOVERNMENT SHOULD BE AWARE THAT 2 YEAR EXTENSION SEEMS SOMEWHAT MORE LIKELY NOW THAN

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